

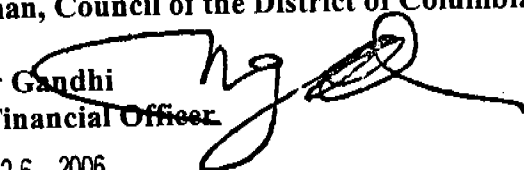
**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar Gandhi 
Chief Financial Officer

DATE: JAN 26 2006

SUBJECT: Fiscal Impact Statement: "Medicaid Maximum Allowable Cost State Plan Amendment Approval Resolution of 2006"

REFERENCE:

Conclusion

Funds are sufficient in the FY 2006 through 2009 budget and financial plan to implement the proposed legislation. There are sufficient resources to fund implementation of this legislation¹. The District potentially could achieve up to \$4.0 million in annual net savings by competitively contracting for the lowest prices on prescription drugs.

Background

Medicaid state agencies are adopting Maximum Allowable Cost (MAC) programs as a "best practice" initiative to restrain the costs of prescription drugs needed by Medicaid recipients. The MAC program enables state agencies to competitively contract for the lowest prices on prescription drugs. The proposed state plan amendment will standardize reimbursement rates for multi-source drugs², establish the maximum rate at which the District will reimburse a pharmacy for these drugs, and authorize MAA to publish the standardized reimbursement rates.

¹ The Department of Health/Medical Assistance Administration Program Budget Index: MAA, Organization/Program Code: 6220; PCA: 62200; Local: APMQM; Federal: MDQM3; Activity: Quality Management, which has been identified by the agency as the funding source.

² Multi-source drugs are defined as medications that are manufactured by a number of different manufacturers, applying also to generics that are manufactured by a single entity but distributed by several labelers.

Financial Impact

Funds are sufficient in the proposed FY 2006 through 2009 budget and financial plan for implementation of the proposed legislation. The Medical Assistance Administration agency budget will absorb the administrative costs of the program. Based on a review of actual reimbursements to pharmacies in FY 2005, MAA estimates that net annual savings of up to \$4.0 million could be realized by competitively contracting for the lowest prices on prescription drugs.